

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

A.B.B. Joint Fire District
Van Buren County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

**Members of the Board
A.B.B. Joint Fire District**

We have audited the accompanying financial statements of the governmental activities and the major fund of A.B.B. Joint Fire District (the District), as of June 30, 2005, and for the year then ended, which collectively comprise the District's financial statements, as listed in the contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of A.B.B. Joint Fire District as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, on page 14, is not a required part of the basic financial statements of the A.B.B. Joint Fire District, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Members of the Board
A.B.B. Joint Fire District
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the A.B.B. Joint Fire District's basic financial statements. The accompanying supplementary data, on page 15, is presented for the purpose of additional analysis and is not required to be a part of the basic financial statements. The supplementary data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

October 28, 2005

BASIC FINANCIAL STATEMENTS

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

June 30, 2005

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 130,007	\$ -	\$ 130,007
Due from local units of government (net)	67,233	-	67,233
Fixed assets (net)	<u>-</u>	<u>687,683</u>	<u>687,683</u>
Total assets	<u>\$ 197,240</u>	<u>687,683</u>	<u>884,923</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 58,421	-	58,421
Current portion of long-term debt	<u>-</u>	<u>42,796</u>	<u>42,796</u>
Total current liabilities	58,421	42,796	101,217
Long-term debt - noncurrent portion	<u>-</u>	<u>31,064</u>	<u>31,064</u>
Total liabilities	<u>58,421</u>	<u>73,860</u>	<u>132,281</u>
FUND BALANCE			
Fund balance - unreserved, undesignated	<u>138,819</u>	<u>(138,819)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 197,240</u>		
NET ASSETS			
Investment in capital assets, net of related debt		613,823	613,823
Unrestricted		<u>138,819</u>	<u>138,819</u>
Total net assets		<u>\$ 752,642</u>	<u>\$ 752,642</u>

Operating Fund - fund balance \$ 138,819

Amounts reported in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the fund.

687,683

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.

(73,860)

Net assets of *governmental activities*

\$ 752,642

See notes to financial statements

A.B.B. Joint Fire District**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES***Year ended June 30, 2005*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Fire protection - operations	\$ 222,045	\$ 72,138	\$ 294,183
Debt service:			
Principal	41,022	(41,022)	-
Interest	3,945	-	3,945
Capital outlays	<u>53,939</u>	<u>(53,939)</u>	<u>-</u>
Total expenditures	<u>320,951</u>	<u>(22,823)</u>	<u>298,128</u>
PROGRAM REVENUES			
Intergovernmental charges:			
Arlington Township	90,912	-	90,912
Bangor Township	116,857	-	116,857
City of Bangor	<u>62,684</u>	<u>-</u>	<u>62,684</u>
Total intergovernmental charges	270,453	-	270,453
Operating grants and contributions	1,355	-	1,355
Capital grants and contributions	<u>44,098</u>	<u>-</u>	<u>44,098</u>
Total program revenues	<u>315,906</u>	<u>-</u>	<u>315,906</u>
NET PROGRAM REVENUES (EXPENSES)	(5,045)	22,823	17,778
GENERAL REVENUES - Interest income	<u>983</u>	<u>-</u>	<u>983</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/ CHANGE IN NET ASSETS	(4,062)	22,823	18,761
FUND BALANCE/NET ASSETS - BEGINNING	<u>142,881</u>	<u>591,000</u>	<u>733,881</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 138,819</u>	<u>\$ 613,823</u>	<u>\$ 752,642</u>

See notes to financial statements

A.B.B. Joint Fire District

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES (Continued)**

Year ended June 30, 2005

Net change in fund balance (from page 6)	\$ (4,062)
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Amounts reported in the statement of activity are different because:

Capital assets:

Current year additions	51,753
Provision for depreciation	(69,952)

Long-term debt - payments	<u>41,022</u>
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Change in net assets	<u>\$ 18,761</u>
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See notes to financial statements

A.B.B. Joint Fire District
STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST - Richard Beers Trust
June 30, 2005

ASSETS

Cash	\$ 11,069
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NET ASSETS

Held in trust for other purposes	\$ 11,069
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STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST - Richard Beers Trust
Year ended June 30, 2005

ADDITIONS

Investment return	\$ 122
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DEDUCTIONS

Scholarships awarded	1,000
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CHANGE IN NET ASSETS

(878)

NET ASSETS - BEGINNING

11,947

NET ASSETS - ENDING

\$ 11,069

See notes to financial statements

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the A.B.B. Joint Fire District (the District), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements. Also, the District is not a component unit of any other entity. The District's support is primarily provided by its sponsoring entities: Township of Arlington, Township of Bangor and City of Bangor.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the District. Currently, all activities of the District are classified as governmental activities, primarily supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental support and other items not properly included among program revenues are reported instead as general revenue.

Financial statements are provided for the sole governmental fund as a separate column in the basic financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues are recognized in the year for which they intended. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports a single major governmental fund, the Operating Fund, which accounts for all financial resources of the District.

Additionally, the District reports the following fiduciary fund:

- Richard Beers Trust, a private purpose trust fund, that accounts for contributions and earnings thereon, that are available to award scholarships.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all intergovernmental support.

d) Assets, liabilities and fund equity:

- i) Bank deposits* - Cash consists of demand deposits and savings accounts.
- ii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.
- iii) Capital assets* - capital assets, which consists of vehicles and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Vehicles	15 - 20 years
Equipment	5 - 15 years

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities and fund equity (continued):

- iv) Fund equity* - In the fund financial statements, the Operating Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - CASH:

Custodial credit risk of deposits is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2005, \$87,354 of the District's bank balances of \$141,077 was exposed to custodial credit risk because it was uninsured.

The District believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the District evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - CAPITAL ASSETS:

Capital asset activity of the District for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Building	\$ 316,169	\$ 2,173	\$ -	\$ 318,342
Vehicles	808,814	-	-	808,814
Equipment	160,781	49,580	-	210,361
Subtotal	<u>1,285,764</u>	<u>51,753</u>	<u>-</u>	<u>1,337,517</u>
Less accumulated depreciation for:				
Building	65,320	7,913	-	73,233
Vehicles	414,165	53,921	-	468,086
Equipment	116,397	8,118	-	124,515
Subtotal	<u>595,882</u>	<u>69,952</u>	<u>-</u>	<u>665,834</u>
Total capital assets being depreciated (net)	689,882	(18,199)	-	671,683
Capital assets not being depreciated - land	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>
Capital assets, net	<u>\$ 705,882</u>	<u>\$ (18,199)</u>	<u>\$ -</u>	<u>\$ 687,683</u>

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM DEBT:

At June 30, 2005, the District has an outstanding balance of \$73,860 on the 2002 \$189,361, 4.00% Equipment Acquisition Note Payable, Bank. The note is due in monthly installments of \$3,747 including interest, through March 2007.

Long-term debt activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Bank note	\$ 114,882	\$ -	\$ 41,022	\$ 73,860	\$ 42,796

At June 30, 2005, debt service requirements were as follows:

<u>Year ended June 30:</u>	<u>Principal</u>	<u>Interest</u>
2006	42,796	2,171
2007	30,966	483
Totals	\$ 73,762	\$ 2,654

NOTE 5 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The budget document presents information by function and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. Significant actual expenditures in excess of budgeted are as follows:

	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Insurance	\$ 24,850	\$ 26,279	\$ 1,429
Capital outlay	-	53,939	53,939

NOTE 6 - CLAIMS ARISING FROM RISKS OF LOSS:

The District is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PRIOR PERIOD ADJUSTMENT:

The following adjustments to the beginning of year fund balance/net assets have been made to correct accounting errors related to asset and liability recognition in the prior year:

	<u>Operating Fund, Fund balance</u>	<u>Net assets, unrestricted</u>
Fund balance/Net assets as of July 1, 2004:		
As previously reported	\$ 137,277	\$ 137,277
Prior period adjustments:		
To recognize amounts due from local units of government	16,155	16,155
To recognize deferred revenue	(6,804)	(6,804)
To correct overstatement of cash	<u>(3,747)</u>	<u>(3,747)</u>
As restated	<u>\$ 142,881</u>	<u>\$ 142,881</u>

REQUIRED SUPPLEMENTARY INFORMATION

A.B.B. Joint Fire District
BUDGETARY COMPARISON SCHEDULE - Operating Fund
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Intergovernmental support:				
Arlington Township	\$ 91,342	\$ 91,342	\$ 90,912	\$ (430)
Bangor Township	116,827	116,827	116,857	30
City of Bangor	62,684	62,684	62,684	-
Total intergovernmental support	270,853	270,853	270,453	(400)
Federal grants	-	-	44,098	44,098
State grants	-	-	1,355	1,355
Interest and rentals	1,500	1,500	983	(517)
Total revenues	272,353	272,353	316,889	44,536
EXPENDITURES				
Fire protection:				
Wages	81,400	85,900	79,728	6,172
Repairs and maintenance	27,000	44,000	43,100	900
Insurance	24,000	24,850	26,279	(1,429)
Fringe benefits	15,200	19,850	18,719	1,131
Operating supplies	10,000	15,000	13,559	1,441
Utilities	9,500	11,400	11,566	(166)
Phone	5,000	5,000	4,342	658
Professional services	13,700	14,500	12,892	1,608
Payroll taxes	6,200	6,600	6,662	(62)
Communications	2,500	2,500	1,422	1,078
Education and training	3,000	1,750	1,707	43
Office supplies and other	5,200	4,700	2,069	2,631
Total fire protection	202,700	236,050	222,045	14,005
Debt service:				
Principal	38,000	41,100	41,022	78
Interest	6,000	3,900	3,945	(45)
Capital outlay	7,950	5,000	53,939	(48,939)
Total expenditures	254,650	286,050	320,951	(34,901)
CHANGE IN FUND BALANCES	17,703	(13,697)	(4,062)	9,635
FUND BALANCES - BEGINNING	146,628	146,628	146,628	-
FUND BALANCES - ENDING	\$ 164,331	\$ 132,931	\$ 142,566	\$ 9,635

SUPPLEMENTARY DATA

A.B.B. Joint Fire District

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

2002 \$189,361 EQUIPMENT ACQUISITION NOTE PAYABLE, BANK

June 30, 2005

<u><i>Fiscal period</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Total requirements</i></u>
2006	\$ 2,171	\$ 42,796	\$ 44,967
2007	<u>483</u>	<u>30,966</u>	<u>31,449</u>
	<u>\$ 2,654</u>	<u>\$ 73,762</u>	<u>\$ 76,416</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

Members of the Board
A.B.B. Joint Fire District
417 W. Arlington St.
Bangor, MI 49013

In planning and performing our audit of the financial statements of A.B.B. Joint Fire District for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. These matters are set forth in the accompanying schedule of comments and recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions that are also considered to be material weaknesses, as defined above. However, we believe that all of the reportable conditions are material weaknesses.

Siegfried Crandall P.C.

October 28, 2005

A.B.B. Joint Fire District
COMMENTS AND RECOMMENDATIONS

Centralization of accounting records

Finding:

Support for receipts was not retained in a consistent manner. The ability of the District to analyze transaction history or to follow-up on missing or questioned items procedures is put at risk when documents are not properly maintained.

Recommendation:

Policies and procedures should be established over retention of receipt support. If an invoice, or check stub is not available, make a copy of the check, accompanied by appropriate annotation as to source and purpose. If there is a secondary need for the receipt document, a copy (marked "duplicate") should be prepared, so as to keep the original document intact.

General ledger detail expenditure accounts

Finding:

Certain expenditure accounts are used to account for several different types of costs. For example, the "utilities" account includes sewer, water, electric, and phones and the "expendable supplies" account is used to account for many different types of supplies. The District's ability to properly monitor expenditures is put at risk when a sufficient level of information is not readily available.

Recommendation:

The District should consider expanding the number and descriptive names of expenditure accounts. The budget should reflect the same level of detail, so as to better understand and analyze budgetary variances.

Capital assets inventory

Finding:

Capital assets owned by the District are reflected in records maintained by the outside auditor, rather than by management of the District. By not taking responsibility for the investment in capital assets and changes therein, management runs the risk of not having knowledge about adequacy of insurance coverage, expected capital outlay needs and the relationship of repairs and maintenance to the level of fixed assets.

Recommendation:

The District should consider developing a detail schedule of capital assets owned, based on a physical inventory. The District should also develop a capitalization policy that permits the proper reporting of capital assets within the District's financial statements. Procedures should be established to identify annually those costs to be capitalized and to identify specific dispositions.

For those capital assets whose unit cost is below the capitalization threshold, the Fire Chief, or other responsible individual, should develop and maintain an inventory of such items. It is not necessary that cost information be included. Each year, a report should be provided to the Board as to changes therein.

A.B.B. Joint Fire District
COMMENTS AND RECOMMENDATIONS (Continued)

Grant compliance requirements

Finding:

The District was the recipient of a FEMA grant, for which the Fire Chief assumed all administrative duties. The grant award contained several explicit compliance requirements, which the Fire Chief signed off on as being in place. One of these requirements was that the District had in place policies and procedures to comply with federal Drug Free Workplace provisions. We could find no evidence of such policies and procedures.

Recommendation:

While the grant was used solely for equipment acquisition, and not for payroll, the District should consider contacting the grantor agency, to discuss the fact that the District was not in compliance with the Drug Free Workplace requirements at the time the grant was expended.

Insurance claims

Finding:

An insurance recovery claim arising from an incident during the year ended June 30, 2005, was only recently submitted. Without appropriate oversight by the Board, the District is at risk as to the proper filing and receipt of insurance recoveries.

Recommendation:

Responsibility for filing insurance claims should involve at least one member of the Board. Annually, the District should request its insurer to provide a report as to submitted and paid claims since the last such report was issued.

Excess (deficiency) of member unit support

Finding:

For 2005, the District allowed the City of Bangor to reduce its required actual cash contribution so as to take advantage of excess amounts received from the City in prior years. It is not readily apparent from the terms of the support agreements as to how an annual excess or deficiency is to be resolved.

Recommendation:

Policies and procedures to deal with differences between the annual contracted/budgeted support and amounts actually received or to be received after year end should be in place. The District could incorporate wording into the agreements with each member unit, or there could be documented procedures to be followed.

Communication and information

Finding:

Until recently, volunteer firefighters were not granted access to the Fire Board. Instead, all communication occurred through the Fire Chief. This put the District at risk for effective oversight and evaluation of the Fire Chief or of firefighters.

Recommendation:

The District should establish policies and procedures to assure that there is adequate upward and downward communication between the Board and firefighters. The District should make clear its attitude towards a proper code of conduct at all levels.

A.B.B. Joint Fire District
COMMENTS AND RECOMMENDATIONS (Continued)

Richard Beers Trust

Finding:

The District accepted responsibility for the administration and accountability of a trust that provides no benefit to the District. The general ledger is not updated on a regular basis for changes in the account. The access to monies that are not regularly used in operations and that are not part of normal reporting puts the District at risk for asset misappropriation.

Recommendation:

The District should incorporate accounting for assets of this private purpose trust into its general ledger and interim reporting.